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LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED
GOVERNMENT OF LAFAYETTE, LOUISIANA
ANNUAL FINANCIAL REPORT AND
SUPPLEMENTARY INFORMATION
YEARS ENDED OCTOBER 31, 2001 AND 2000

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the entity and to an appropriate public officials. The report is available for public inspection at the Dumas Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/20/02

LAFAYETTE PUBLIC POWER AUTHORITY

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• CERTIFIED PUBLIC ACCOUNTANTS
• 100 YEARS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Lafayette Public Power Authority
Lafayette, Louisiana

We have audited the accompanying general purpose financial statements of the Lafayette Public Power Authority, a component unit of the Consolidated Government of Lafayette, Louisiana, as of October 31, 2001 and 2000, and for the years then ended. These financial statements are the responsibility of the Lafayette Public Power Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Louisiana Revised Statutes 24:417 and the Louisiana Governmental Audit Guide. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred above present fairly, in all material respects, the financial position of Lafayette Public Power Authority, as of October 31, 2001 and 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Lafayette Public Power Authority. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2002, on our examination of the Lafayette Public Power Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Wright, Moore, Dellart,
Dupuis & Hutchinson, LLC**

WRIGHT, MOORE, DELLART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

January 17, 2002

WMDC

**LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT
OF LAFAYETTE, LOUISIANA**

**BALANCE SHEETS
OCTOBER 31, 2001 AND 2000**

	2001	2000
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,349,179	\$ 4,192,897
Accounts Receivable		
Other Accounts Receivable	22,282	21,591
Inventory	5,944,633	5,371,485
Total Current Assets	<u>11,316,094</u>	<u>9,585,973</u>
RESTRICTED ASSETS		
Cash with Paying Agent	12,517,374	12,978,367
Cash		
Bond Reserve	212,682	47,882
Reserve and Contingency	889,456	1,877,019
Paid Cost Building	38,871	79,775
Investments (Net of Unamortized Premiums and Discounts)		
Bond Reserve	14,791,582	16,189,116
Reserve and Contingency	982,152	1,494,086
Paid Cost Building	4,511,800	4,854,879
Accrued Interest Receivable		
Bond Reserve	66,106	152,142
Reserve and Contingency	12,672	16,717
Paid Cost Building	79,342	87,152
Total Restricted Assets	<u>33,124,828</u>	<u>35,892,582</u>
DEFERRED CHARGES		
Costs to be Recovered Through Future Billings	11,671,562	11,668,188
Preliminary Survey		
(Aluminum Poles)	12,406	12,406
Unamortized Debt Expense	629,353	789,052
Total Deferred Charges	<u>12,273,321</u>	<u>12,469,646</u>
PROPERTY, PLANT AND EQUIPMENT		
Plant in Service	124,774,483	124,231,879
Contributions in Progress	68,378	800,508
Total	<u>124,842,861</u>	<u>125,032,387</u>
Less: Accumulated Depreciation	<u>(61,881,589)</u>	<u>(66,762,852)</u>
Net Property, Plant and Equipment	<u>62,961,272</u>	<u>58,269,535</u>
TOTAL ASSETS	\$120,118,231	\$128,179,738

The Accompanying Notes are an Integral Part of These Statements.

**LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT
OF LAFAYETTE, LOUISIANA**

**BALANCE SHEETS
OCTOBER 31, 2000 AND 1999**

	2000	1999
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 300,261	\$ 1,899,830
Due to City of Lafayette Utilities System	481,174	72,683
Total Current Liabilities	881,435	1,972,513
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accrued Interest Payable	3,112,774	3,365,787
Current Portion of Revenue Bonds Payable	3,425,890	3,600,890
Total Current Liabilities Payable From Restricted Assets	6,538,664	6,966,677
NON-CURRENT LIABILITIES		
Revenue Bonds Payable	113,925,890	122,116,000
Less: Unamortized Discount	(5,317,349)	(1,676,762)
Less: Unamortized Loss on Extinguished Debt	(2,311,314)	(2,682,733)
Total Non-current Liabilities	106,297,227	117,756,499
Total Liabilities	113,617,326	121,701,689
FUND EQUITY		
Residual Savings-Fundpool	3,621,348	3,608,642
Total Fund Equity	3,621,348	3,608,642
TOTAL LIABILITIES AND FUND EQUITY	\$117,238,674	\$125,310,331

The Accompanying Notes are an Integral Part of These Statements.

**LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT
OF LAFAYETTE, LOUISIANA**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS
FOR THE YEARS ENDED OCTOBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
OPERATING REVENUES		
Sales of Electric Energy-Lafayette Consolidated Government	\$43,394,392	\$44,125,890
OPERATING EXPENSES		
Production	28,351,342	28,246,155
Transmissions	179,642	153,756
Administrative and General	3,413,420	3,348,679
Depreciation	4,689,847	4,373,756
Losses (Recoveries) to be Recovered From Future Billings	_140,000	_150,350
Total Operating Expenses	\$36,693,149	\$36,124,186
Operating Income	_7,701,243	_8,001,112
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	1,821,498	1,940,348
Interest Expense	(1,658,989)	(1,587,656)
Amortization of Debt Expenses	(88,800)	(80,450)
Amortization of Losses on Recognized Units	(1,416,441)	(1,683,854)
Gains (Loss) on Disposition of Fixed Assets	(182,090)	64,375
Gains on Investments	398,750	118,398
Gains on Disposition of Allowances	37,664	16,340
Gains Recovered Through Billings to Lafayette Consolidated Government	(1,643,182)	(8,676,542)
Gains to be Recovered Through Future Billings to Lafayette Consolidated Government	4,271,117	4,087,158
Total Non-Operating Revenues (Expenses)	(1,285,380)	\$3,599,870
NET INCOME	\$64,863	\$13,408
RETAINED EARNINGS, BEGINNING OF YEAR	\$3,038,612	_1,671,868
RETAINED EARNINGS, END OF YEAR	\$3,103,475	\$3,038,612

The Accompanying Notes are an Integral Part of These Statements.

LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT
OF LAFAYETTE, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 7,793,815	\$ 9,604,119
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	4,416,488	4,403,480
Debt Service on Coal Cans in Inventory	1,238,991	1,238,991
Loss on the sale of Fixed Assets	381,684	-
Changes in Assets and Liabilities		
Accounts Receivable	(6,787)	(1,187)
Accrued Interest Receivable	-	136
Inventory	1,686,733	3,548,493
Prepaid Insurance	-	6,503
Accounts Payable	(845,108)	712,533
Due to Other Governments	391,201	(411,715)
Net Cash Provided by Operating Activities	<u>13,882,926</u>	<u>17,548,584</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments	(9,685,889)	(9,230,889)
Interest Paid	(6,404,078)	(6,511,833)
Purchase and Construction of Fixed Assets	(563,952)	(386,631)
Payments on Disposition of Fixed Assets	-	371,624
Net Cash Used in Capital and Related Financing Activities	<u>(16,764,130)</u>	<u>(16,114,899)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments-net	1,829,488	(714,933)
Interest Received	1,877,624	1,581,888
Net Cash Provided by Investing Activities	<u>1,807,112</u>	<u>1,777,895</u>
NET INCREASE IN CASH	<u>1,180,274</u>	<u>3,609,499</u>
Cash Beginning of Year		
(Including restricted cash of \$12,485,861 and \$11,336,089 for 2001 and 2000, respectively)	<u>16,781,658</u>	<u>16,711,658</u>
Cash End of Year		
(Including restricted cash of \$12,713,283 and \$11,485,861 for 2001 and 2000, respectively)	<u>\$ 17,961,932</u>	<u>\$ 18,321,157</u>

The Accompanying Notes are an Integral Part of These Statements.

**LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity : The Lafayette Public Power Authority (Authority) is a political subdivision of the State of Louisiana created for the purpose of planning, financing, constructing, acquiring, improving, operating, maintaining and managing public power projects or improvements solely or jointly with other public or private corporations and for the purpose of providing electric power for the City of Lafayette and others. The Authority constitutes a legal entity separate and apart from the Consolidated Government. The Consolidated Council of Lafayette is the governing authority, its Chief Executive Officer is the President of the Consolidated Government, its Managing Director is the Director of Utilities, and its Secretary is the Consolidated Government's Clerk.

The Authority, Central Louisiana Electric Company, Inc. (CLECO) and Louisiana Energy and Power Authority (LEPA) are parties to an agreement governing the ownership and operation of the electric generating and transmission facilities. CLECO manages the construction and operation of the fossil fuel steam electric generating plant known as Rockstack Unit No. 1. The project is owned jointly by the Authority (50%), CLECO (30%) and LEPA (20%). The financial information contained in these statements is only that of the Lafayette Public Power Authority.

The Authority entered into a power sales contract with the City of Lafayette on May 1, 1977. The City agreed to purchase and the Authority agreed to sell the "project capability," which is the amount of electric power and energy, if any, which the project is capable of generating, with certain limitations. The project is defined as the Authority's 50% percent (50%) ownership interest in the fossil fuel steam electric generating plant.

The Lafayette Public Power Authority prepares its financial statements in accordance with the standards established by the Governmental Accounting Standards Board (GASB). GASB Statement No. 14 has defined the governmental reporting entity to be the Consolidated Government of Lafayette, Louisiana. The accompanying statements present only transactions of the Authority, a component unit of the Consolidated Government of Lafayette, Louisiana.

Annually the Consolidated Government of Lafayette, Louisiana issues general purpose financial statements which should include presentation of the activities contained in the accompanying financial statements.

Basis of Accounting : The accounts of the Authority are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and are in conformity with generally accepted accounting principles (GAAP). Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statute 14:117 and to the guidelines set forth in the Louisiana Governmental Audit Guide. In certain instances, FERC regulations differed from generally accepted accounting principles. In these situations, the Authority followed the FERC guidelines, as directed by law. However, amounts reported, according to FERC regulations, did not differ materially from GAAP.

The Authority maintains its books and records on the accrual basis of accounting and on the flow of economic resources measurement focus. The Authority applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

Costs to be Recovered from Future Billings : The power sales contract with the City of Lafayette provides for billings to the City for the output and services of the project to provide for payment of current operating expenses, payment of debt principal and interest (50% service) and deposits in certain funds, all in compliance with the bond resolutions. Not only in excess of the amounts currently billable to the City are to be recovered from future project revenues and are classified as a deferred charge. These net costs principally include depreciation of the utility plant in excess of 50% principal billed to the City and certain interest charges and credits not currently reflected in the billings to the City.

Property and Equipment : Property and equipment are recorded at cost and include direct and overhead costs and the costs of funds borrowed by the Authority and used for construction purposes.

**LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
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**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment-continued

Depreciation of property and equipment is computed using the straight-line method over the expected service lives of the assets as follows:

	<u>Years</u>
Vehicles	5
Coal Cans	17
General Plant	40
Production Plant	31
Other	15

Investments - Investments are shown at fair value, except for U.S. Treasury and agency obligations that have a remaining maturity at the time of purchase of six years or less are shown at amortized cost.

Inventory - Coal inventory is stated at the lower of cost or market as determined by the average cost method. Coal inventory amounted to \$1,958,162 representing 173,284 tons, and \$3,695,281 representing 319,504 tons at October 31, 2001 and 2000, respectively.

The spare parts and supplies inventory is stated at the lower of cost or market as determined by the average cost method and amounted to \$1,366,481 and \$1,578,104 at October 31, 2001 and 2000, respectively.

Unamortized Bond Expense - Debt expense incurred at bond issuance is capitalized and amortized over the life of the bonds using the sum of the bonds outstanding method.

Unamortized Loss on Recaptured Debt - Losses incurred upon refunding of debt are treated as deferred charges and amortized over the life of the new bonds issued. The 1985 and 1987 refunding losses are being amortized ratably over the life of the new issue based on Federal Energy Regulatory Commission Regulations. The 1993 and 1996 loss amortization was calculated on the Interest Method based on Present Value of Principal outstanding in accordance with GAAP Statement No. 21.

Retained Earnings-Reserved - Retained Earnings-Reserved are holdings to the City which are deposited in the various accounts of the Authority and are subject to disposition in accordance with the provisions of the bond resolutions. Retained Earnings have not been restricted for amounts in the bond retirement accounts because these funds were established with bond proceeds and not from earnings.

Electric Revenue Bonds - Bonds outstanding are stated at face value less unamortized discount and unamortized loss on recaptured debt. The discount is amortized over the life of the bonds using the sum of the bonds outstanding method.

Salaries and Related Expenses - The Authority reimburses the Consolidated Government for salaries, benefits and related expenses of Consolidated Government employees who perform duties for LPPA. The Authority does not assume a liability for vacation and sick-time benefits because it has no employees of its own. The Authority is not liable for compensated absences of employees of the Consolidated Government or CLIBCO who are associated with LPPA.

Cash Flows - For purposes of the Statement of Cash Flows, the Authority includes all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

LAFAYETTE PUBLIC POWER AUTHORITY
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LAFAYETTE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2004 AND 2000

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates. - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(B) CASH AND INVESTMENTS

Cash and investments include bank balances and investments that at the balance sheet date were entirely insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

The Authority's investments are categorized to indicate the level of risk assumed at October 31, 2004 and 2000. Category 1 includes investments that are insured or for which the securities are held by the Authority's agent in the Authority's name. All investments are Category 1 at October 31, 2004 and 2000.

During the years ended October 31, 2004 and 2000, the Authority realized no gains or loss from the sale of investments. The calculation of realized gains is independent of the calculation of the net income in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The increase in the fair value of investments during the years ended October 31, 2004 and 2000 was \$798,779 and \$100,000, respectively. This amount taken into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at October 31, 2004 and 2000 was \$289,129 and \$68,779, respectively.

The Authority is authorized to invest in the following:

1. Obligations of the United States Treasury, agencies and instrumentalities and the State of Louisiana, all of which are insured by the issuer.
2. Public Housing Bonds and Project Notes of public agencies and municipalities fully insured as to payment.
3. General obligation bonds which are nationally rated in the two highest categories.
4. Certificates of deposit which are insured by any of the above.

(C) FLOW OF FUNDS: RESTRICTIONS ON USE

Under the terms of the ordinance authorizing and providing for the issuance of electric revenue bonds of the Authority to finance the acquisition of an ownership interest in a fossil fuel steam electric generating plant and for other purposes relating thereto, the bonds are special obligations of the Authority payable solely from and secured by the revenues and other funds (including bond proceeds). Such revenues consist of all income, fees, charges, receipts, profits, and other money derived by the Authority from its ownership and operation of the fossil fuel steam electric generating plant, other than income derived during the period of construction. Money in the revenue fund shall be first applied in the payment of operating expenses of the plant, exclusive of depreciation and amortization. Money in the revenue fund shall then be deposited into the bond fund to pay principal and payments, if any, and interest on all bonds as they become due and payable and then applied to maintain in the bond fund reserves in an amount equal to the maximum annual debt service requirement on all bonds (initially funded from bond proceeds). After making the required payments into the operating account and bond fund, there shall be paid out of the revenue fund into the reserve and contingency fund an amount equal to \$1,500,000 or such greater amount as may be determined

LAFAYETTE PUBLIC POWER AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000

(C) FLOW OF FUNDS: RESTRICTIONS ON USE - Continued

by the consulting engineer, provided that there shall not be required to be paid therein during any month an amount in excess of twenty-five percent (25%) of the amounts required to be paid during such month to the bond fund. If on any October 31st following the date of commencement operation, the monies credited for to be credited as of such date to the revenue fund shall exceed the Authority's required amount of working capital for the operations of the plant, the amount of such excess shall be applied by the Authority (i) to reduce monthly power costs to the City of Lafayette under the power sales contract, (ii) to pay the cost of making repairs, renewals and improvements, additions, betterments and improvements to and expansion of the plant operations; (iii) to the purchase or redemption of bonds; (iv) to any other purpose in connection with the plant operations; or (v) to any other lawful purpose of the Authority, including the payment of administrative expenditures.

The fund cost liability fund was established to allow level billings to the retail customer when the generating plant is out of service for a period of seven days or more. In these instances, a credit may be applied to the monthly power bill to the City of Lafayette. When the unit has been returned to operation, the funds which were applied as a credit are recovered by application of a surcharge to restore the fund balance over a reasonable period of time.

(D) PROPERTY AND EQUIPMENT

A summary of property and equipment at October 31, 2000 and 2001, was as follows:

	2001	2000
Vehicles	\$ 790,578	\$ 790,578
Crane Cars	15,045,261	15,045,261
Electric Plant	157,779,699	157,957,966
Land	301,964	301,964
Construction in Progress	68,718	700,718
Less: Accumulated Depreciation	(21,004,284)	(38,233,893)
Total	U. \$8,911,327	U. \$8,619,534

(E) ELECTRIC REVENUE BONDS

The Authority issues bonds when it pledges project power revenues, after payment of operating expenses, as well as assets of the Authority, as collateral by reference. Revenue bonds outstanding at October 31, 2001 and 2000, are as follows:

Purpose	Issue Date	2001	2000
Electric Revenue Refunding Serial Bonds Series 1993 2.80%-3.25%	12/81/93	\$ 63,795,000	\$ 63,795,000
Electric Revenue Refunding Term Bonds Series 1993 3.25%	12/81/93	18,400,000	18,400,000
Electric Revenue Refunding Serial Bonds Series 1994 3.75%-4.00%	08/01/94	38,073,000	41,678,000
Total/Principal Outstanding on Revenue Bonds		110,268,000	123,873,000
Unamortized Bond Discount		(1,377,947)	(1,478,783)
Unamortized Loss on Refunding		(11,211,533)	(11,667,752)
Net Revenue Bonds Outstanding		\$97,678,520	\$110,726,465

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**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000**

(C) ELECTRIC REVENUE BONDS - Continued

Revenue bond debt service requirements in maturity are as follows:

Years Ending (October 31)	Principal	Interest	Total
2002	\$ 8,461,000	\$ 6,831,270	\$ 14,621,270
2003	8,260,000	5,696,025	11,898,025
2004	8,270,000	5,298,478	11,898,478
2005	9,331,000	4,787,138	11,821,138
2006	9,415,000	4,333,881	11,848,881
2007-2011	56,831,000	11,436,718	70,291,718
2012-2013	21,730,000	783,873	22,211,873
	<u>\$112,730,000</u>	<u>\$40,489,361</u>	<u>\$187,489,361</u>

Prior Year Refunding

On September 3, 1996, the Authority issued \$50,910,000 in Electric Revenue Refunding Bonds dated August 1, 1996. The bond proceeds were used to refund in advance of maturity \$48,530,000 of its 1987 Series Electric Revenue Refunding Bonds. The 1987 bonds which were defeased by the 1996 refunding issue were called on November 1, 1997. Therefore, no bonds refunded by the 1996 issuance are still outstanding.

The 1996 refunding resulted in a loss of \$2,419,161 which is being amortized over the life of the newly issued bonds. The balance of unamortized loss at October 31, 2001 and 2000, was \$1,371,802 and \$1,664,498, respectively. The loss amortization for the 2001 and 2000 fiscal years was \$299,088 and \$128,905, respectively.

On December 14, 1993, the Authority issued \$131,525,000 in Electric Revenue Refunding Bonds dated December 1, 1993. The bond proceeds were used to refund in advance of maturity, \$77,798,000 of its 1977 Series Bonds, \$1,581,000 of the Series 1968 Refunding Bonds, and \$52,965,800 Series 1987 Refunding Bonds. All outstanding 1977 and 1968 Bonds were called on February 1, 1994. All 1987 bonds which were defeased by the 1993 refunding issue were called on November 1, 1995. Therefore, no bonds refunded by the 1993 issue are still outstanding.

The 1993 refunding resulted in a loss of \$5,473,816 which is being amortized over the life of the newly issued bonds. The balance of unamortized loss at October 31, 2001 and 2000 was \$2,456,363 and \$2,921,138, respectively. The loss amortization for the 2001 and 2000 fiscal years was \$771,788 and \$386,756, respectively.

On April 16, 1992, the Authority issued \$88,085,000 in Electric Revenue Refunding Bonds dated March 1, 1991. The bond proceeds were used to refund in advance of maturity, \$11,085,000 of its 1980 Series Bonds and \$44,770,800 of its 1985 Series Bonds. All outstanding 1980 Bonds were called on November 1, 1990. The 1985 Series Bonds are defeased and were called during the 1996 fiscal year. Therefore, no bonds refunded by the 1992 issue are still outstanding.

The 1992 refunding resulted in a loss of \$12,452,158, which is being amortized over the life of the newly issued bonds. The balance of unamortized loss at October 31, 2001 and 2000 was \$8,145,394 and \$9,626,974, respectively. The loss amortization for the 2001 and 2000 fiscal years was \$354,811 each year.

A \$7,718,697 loss, which resulted from the issuance of the Series 1995 Electric Revenue Refunding Bonds, is being amortized over the original life of the issue. The balance of unamortized loss at October 31, 2001 and 2000 was \$2,946,714 and \$3,711,648, respectively. The loss amortization for the 2001 and 2000 fiscal years was \$365,914 each year.

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**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2001 AND 2000**

(9) RECONCILIATION OF INCOME WITH BILLINGS

Pursuant to Section 7.2 of its bond ordinance, Lafayette Public Power Authority is required to fix, establish, maintain and collect sufficient rates and charges to pay all costs of operations and maintenance, repairs, renewals and replacements, debt service (amortization and deposits into the bond reserve account and the bond sinking and contingency fund). Further, the power sales contract with the City of Lafayette provides that the components of the billing to the City include all such costs and deposit requirements and also include a credit for all receipts from other sources.

Because of the differences between receipts and costs for billing purposes and revenues and expenses for statement presentation, the Statement of Revenues and Expenses might reflect a net income or loss for the year even though the authority was in compliance with all provisions of the bond ordinance. For example, for statement presentation, the cost of capital items are billed and included as revenues from the City of Lafayette, but are shown as an asset rather than an expense. Similarly, some items considered as receipts for billing purposes are not included as revenues for accounting purposes.

The following is a reconciliation of net income with billings for the years ended October 31, 2001 and 2000:

	2001	2000
Billing charges not treated as expenses for accounting purposes:		
Capital Items Additions	\$ 475,888	\$ 336,471
Accounting expenses not treated as charges for billing purposes:		
Depreciation of Capital Items	(181,287)	(110,196)
Unamortized Capital Lease Amortization	195,791	110,199
Gain/Loss on Disposition of Property	(281,694)	64,733
Net Income (Loss)	\$ 288,698	\$ 401,207

(10) COMMITMENTS AND CONTINGENCIES

Coal Purchase Commitment

The Authority has contracted with Loyco's Ranch to purchase its share of coal used in producing power at the Rockmeyer Unit No. 1 facility. The purchase contract is for delivery of 54,000,000 tons of coal in total of which the Authority has a fifty percent (50%) interest. Therefore, the Authority has contracted to purchase a minimum of 18,000,000 tons over the term of the contract. Annual amounts are subject to increase or decrease by up to five percent (5%). The term of the contract and annual quantities to be purchased are as follows:

Calendar Year	Annual Quantity
1999	210,000
2000	200,000
2001-2003	275,000
2004	250,000
2005	250,000

SUPPORTING SCHEDULES

**LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**SCHEDULE OF CHANGES IN RESTRICTED ASSETS
FOR THE YEAR ENDING OCTOBER 31, 2000**

	CASH WITH PAYING AGENT
RESTRICTED CASH AND CASH EQUIVALENTS OCTOBER 31, 1999	\$12,595,767
CASH RECEIPTS	
Interest Received	-
CASH DISBURSEMENTS	
Purchased Investments	-
Principal Paid on Bonds	(9,605,000)
Interest Paid on Bonds	(5,476,162)
TRANSFERS AMONG FUNDS	
Transfers From Bond Interest and Principal Fund	11,678,749
Transfers From Revenue Fund	-
Transfers to Paying Agent	-
Transfers to Revenue Fund	-
RESTRICTED CASH AND CASH EQUIVALENTS OCTOBER 31, 2000	<u>11,573,354</u>
RESTRICTED INVESTMENTS AND ACCRUED INTEREST OCTOBER 31, 1999	-
PURCHASES IN EXCESS OF MATURITIES (AT PAR)	-
INCREASE (DECREASE) ACCRUED INTEREST RECEIVABLE	-
INCREASE (DECREASE) FAIR VALUE	-
INCREASE (INCREASE) UNAMORTIZED DISCOUNT	-
INCREASE (DECREASE) UNAMORTIZED PREMIUM	-
RESTRICTED INVESTMENTS AND ACCRUED INTEREST OCTOBER 31, 2000	-
TOTAL RESTRICTED CASH, INVESTMENTS, AND ACCRUED INTEREST AT OCTOBER 31, 2000	<u>\$11,573,354</u>

<u>MONETARY RESERVE FUNDS</u>	<u>MONETARY INTEREST FUNDS</u>	<u>RESERVE AND CONTINGENCY FUNDS</u>	<u>FEDERAL COST STABILITY FUNDS</u>	<u>TOTAL</u>
\$ 43,882	\$ -	\$ 397,819	\$ 73,373	\$ 515,084
876,811	239,896	95,836	271,647	1,484,290
380,896	-	408,477	34,698	824,971
-	-	-	-	(2,405,880)
-	-	-	-	(6,478,383)
-	-	-	-	14,623,749
-	14,623,749	-	-	14,623,749
-	(14,623,749)	-	-	(14,623,749)
<u>1,699,573</u>	<u>239,896</u>	<u>494,315</u>	<u>377,647</u>	<u>3,811,231</u>
<u>212,631</u>	<u>-</u>	<u>335,436</u>	<u>38,071</u>	<u>586,138</u>
16,411,478	-	1,470,581	4,533,392	22,415,451
(1,444,632)	-	(280,000)	(30,000)	(1,754,632)
(61,837)	-	(4,343)	(8,000)	(74,180)
307,624	-	26,381	36,100	370,105
23,538	-	1,289	83	24,910
<u>111,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,345</u>
<u>16,875,886</u>	<u>-</u>	<u>901,925</u>	<u>4,539,158</u>	<u>22,316,969</u>
\$15,885,255	\$ -	\$1,820,482	\$4,628,421	\$22,334,158

**LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED OCTOBER 31, 2001 AND 2000**

	2001	2000
PRODUCTION		
Steam Power Generation-Operation		
Depreciation	\$ 207,348	\$ 187,318
Fuel Expense	21,023,358	24,149,648
Steam Expense	678,508	762,188
Electric Expense	188,878	282,388
Miscellaneous	388,035	388,423
	<u>24,351,127</u>	<u>25,669,965</u>
Steam Power Generation-Maintenance		
Supervision and Engineering	283,116	183,318
Structure	87,318	128,268
Boiler Plant	1,774,822	1,488,158
Electric Plant	906,688	118,888
Miscellaneous Steam Plant	582,430	483,382
	<u>3,634,374</u>	<u>3,403,214</u>
Other Power Generation-Operation		
Auxiliary Power and PFD Allowances	228,688	146,078
Total Production Expenses	<u>\$28,313,362</u>	<u>\$29,246,155</u>
TRANSMISSION		
Load Dispatching Expenses	\$ 120,000	\$ 120,750
ADMINISTRATIVE AND GENERAL EXPENSES		
Administrative and General Salaries	\$ 104,658	\$ 183,844
Miscellaneous General Expense	68,758	75,808
Administrative and General Expenses	3,828,316	3,625,412
Outside Services Employed	54,644	111,488
Paying Agent Fees	1,200	675
Payroll Taxes	243,954	189,178
Property Insurance	84,888	84,888
Total Administrative and General Expenses	<u>\$4,337,338</u>	<u>\$4,269,671</u>
DEPRECIATION EXPENSE (NET)	\$4,416,438	\$4,492,400

WRIGHT, MOORE, DELHART, DUPUIS & HUTCHINSON, L.L.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Lafayette Public Power Authority
Lafayette Parish, Louisiana

We have audited the financial statements of the Lafayette Public Power Authority, a component unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year ended October 31, 2001, and have issued our report thereon dated January 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Louisiana Revised Statutes 34:211 and the *Louisiana Governmental Audit Code*.

Opinions

As part of obtaining reasonable assurance about whether the Lafayette Public Power Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that we regarded to be reportable under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lafayette Public Power Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in accounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the internal control over financial reporting. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management and Board of Commissioners of the Lafayette Public Power Authority and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its other uses are not limited.

*Wright, Moore, Delhart,
Dupuis & Hutchinson, LLC*

WRIGHT, MOORE, DELHART,
DUPUIS & HUTCHINSON, L.L.C.
Chartered Public Accountants

January 17, 2002



**LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2001**

We have audited the financial statements of Lafayette Public Power Authority, a component unit of the Consolidated Government of Lafayette, Louisiana as of and for the year ended October 31, 2001, and have issued our report thereon dated January 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Our audit of the financial statements of October 31, 2001 resulted in an unqualified opinion.

Section I – Summary of Auditors’ Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes x No

Reportable Conditions Yes x No

Compliance

Compliance Material to Financial Statements Yes x No

Section II – Financial Statement Findings

There were no current year findings.

Section III – Federal Award Findings and Questioned Costs

This section is not applicable for the year ended October 31, 2001.

LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED OCTOBER 31, 2000

There were no prior year findings.

**LAFAYETTE PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF
LAFAYETTE, LOUISIANA**

**MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED OCTOBER 31, 2001**

No current year findings were noted, therefore, no response is deemed necessary.